



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Western Community Bancshares

Person to be contacted regarding this report:	Haddon Libby
CPP Funds Received:	\$7,290,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/23/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	4233
Holding Company Docket Number: (For Thrift Holding Companies)	H4233
FDIC Certificate Number: (For Depository Institutions)	14979
City:	Park City
State:	Utah

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	While we looked to lend more during 2009, economic conditions made that difficult. While we expect to grow the loan portfolio in 2010, the infusion of CPP funds gave us a strong capital position that could be used to provide increased loan support to our business markets.
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<input type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>We maintain a list of loans approved due to the infusion of CPP funds. These are loans that we might not have done without the capital. This is because with that increased capital, we had sufficient capital for potential growth as well as potential deterioration in the economy.</p>
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>Because of the growth in deposits that occurred because of CPP funds, investments grew by \$18.5 million during 2009 as excess liquidity was built from deposit growth in advance of loan growth.</p>
<input checked="" type="checkbox"/>	<p>Make other investments</p>	<p>We invested in developing our mortgage origination capabilities. This was to serve clients in our markets and diversify our revenue stream in order to grow fee income and be better able to repay CPP funds.</p>
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>We increased our allowance for loan losses to fully reserve for impaired assets and TDRs.</p>

<input type="checkbox"/>	Reduce borrowings	While borrowings declined during the year, projections suggest that the growth in our mortgage origination volumes will reverse this in 2010.
<input type="checkbox"/>	Increase charge-offs	We increased charge-offs but this was not due to CPP funds.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	No.
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	We maintained Tier 1 and risk-adjusted capital ratios well in excess of regulatory minimum as evidenced in our quarterly TFR.

What actions were you able to avoid because of the capital infusion of CPP funds?

We were able to accommodate growth in deposits from depositors looking for a safe harbor during 2009. Specifically, deposits grew by approximately \$54 million to \$301 million.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We engaged in the build-out of our mortgage platform as a way to serve the needs of our customer base while diversifying our revenue streams to include increased non-interest income. This also served to provide jobs to a number of people who either were unemployed at the time of hire or might have been unemployed without these efforts.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

In general, we took a more sympathetic view toward troubled debt attempting to work with the borrower moreso than if we did not have the capital.

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